

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 NEA-09 H-02 IO-10 AF-06 EA-06 EUR-12 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 FRB-03 XMB-02

OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 USIA-06 ISO-00

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66610

DRAFTED BY: TREAS:LWBOWDEN:GS

APPROVED BY: NEA/ARP:FMDICKMAN

TREASURY:GLPARSKY

TREASURY:JFBENNETT

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P 012337Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA PRIORITY

C O N F I D E N T I A L STATE 073838

E.O. 11652: GDS

TAGS: EFIN, SA, US,

SUBJECT: QURAYSHI VISIT TO U.S.

1. QURAYSHI ACTUALLY HAD ONLY ONE-DAY PROGRAM IN WASHINGTON, CANCELLING REMAINDER IN WASHINGTON AND ALL SCHEDULED MEETINGS IN NEW YORK TO RETURN TO SAUDI ARABIA EVENING OF MARCH 25. DURING DAY MARCH 24, HE CALLED ON CONGRESSMEN ULLMAN, BIESTER, AND REES; MET WITH TREASURY UNDER SECRETARY BENNETT AND ASSISTANT SECRETARY PARSKY; AND WAS GUEST OF HONOR AT DINNER GIVEN BY SECRETARY SIMON. FOLLOWING ARE HIGH POINTS OF MATTERS TOUCHED ON IN VARIOUS CONFIDENTIAL

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MEETINGS.

2. IN BRIEF CALL ON CONGRESSMAN ULLMAN, QURAYSHI EXPLAINED SAUDI INVESTMENT POLICY, POINTING OUT SAMA NOW BUYS SECURITIES UP TO TEN YEARS MATURITY. HE EXPRESSED OPINION THAT AS SURPLUSGROWS TENDENCY WOULD BE TO MOVE TO LONGER MATURITIES. ULLMAN SAID HE DID NOT HAVE IMPRESSION THERE WAS CURRENTLY MUCH ADVERSE FEELING IN U.S. PUBLIC ABOUT SAUDI INVESTMENTS HERE. HE THOUGHT NEVERTHELESS IT WOULD BE PRUDENT FOR SAUDIS TO MAKE A MOVE THAT COULD HELP PREVENT DEVELOPMENT OF ADVERSE SENTIMENT. HIS SUGGESTION WAS FOR SAUDI INVESTMENT IN WHAT HE CALLED

AN "ENERGY FUND" IN ORDER TO CREATE GOOD WILL.  
(ULLMAN DID NOT SPECIFY, BUT PRESUMABLY WAS REFERRING TO FUND FOR RESEARCH INTO ALTERNATIVE SOURCES OF ENERGY.)  
ULLMAN SAID HE WAS SURE SAUDIS DID NOT WANT USG TO GO SWISS ROUTE AND START TAXING THEIR INVESTMENTS.  
QURAYSHI REPLIED THAT CERTAINLY WAS CASE, ADDING THAT US HAD GREAT RESPONSIBILITY SINCE IT WAS LEADER NATION AND OTHER COUNTRIES WOULD TEND TO FOLLOW U.S.

3. CONGRESSMAN BIESTER SUGGESTED TO QURAYSHI THAT SAG BE MORE LIBERAL IN HELP TO DEVELOPING COUNTRIES, SINCE IN LONG RUN THAT WOULD MAKE THEM BETTER MARKETS.  
QURAYSHI AGREED SUCH POLICY WAS NECESSARY, BUT NOTED SAG ALREADY DOING GREAT DEAL BOTH THROUGH INTERMEDIARIES LIKE IBRD AND COMMERCIAL BANKS AND DIRECTLY TO DEVELOPING COUNTRIES IN ASIA AND AFRICA. IN HIS VIEW, HOWEVER, MORE IMPORTANT QUESTION NOW LOOMING BEFORE THOSE COUNTRIES WAS WHERE TO GET THE MANAGERS TO USE APPROPRIATELY THE FINANCIAL ASSISTANCE THEY WERE RECEIVING.

4. BIESTER RAISED MATTER OF ARAB BOYCOTT, POINTING OUT BOYCOTT PER SE WAS ONE THING BUT WHEN IT RESULTED IN COERCING U.S. COMPANIES TO VIOLATE U.S. LAW AND CONCEPTS THAT WAS SERIOUS MATTER FOR US. QURAYSHI REPLIED BOYCOTT NOT BASED ON RELIGIOUS DISCRIMINATION BUT ON RELATION OF PARTICULAR FIRM WITH STATE OF ISRAEL. IN EVIDENCE, HE CITED KUWAITI DEALINGS WITH MANY JEWISH FIRMS AND NOTED CONFIDENTIAL

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SAUDI ARABIA ITSELF HAS HAD LONG-STANDING BUSINESS RELATIONSHIP WITH AMERICAN INVESTMENT BANKING HOUSE OF GOLDMAN SACHS, 17 OF WHOSE 51 DIRECTORS ARE JEWISH.

5. WITH RESPECT TO ULLMAN'S IDEA OF SAUDI INVESTMENT IN AN "ENERGY FUND" BIESTER SAID HE THOUGHT THAT WAS INTERESTING IDEA. QURAYSHI SAID SAUDIS WERE WILLING TO DO SOMETHING TO SHOW U.S. PUBLIC THEY WERE NOT AFRAID

TO INVEST IN DEVELOPING ALTERNATIVE SOURCES OF ENERGY. BIESTER ALSO THOUGHT SAUDIS COULD IMPROVE THEIR IMAGE HERE BY CONTRIBUTING TO THE "SAFETY NET" WE HAD ESTABLISHED WITH THE EUROPEANS. QURAYSHI POINTED OUT SAG ALREADY CONTRIBUTING TO THE EEC SAFETY NET AND ALSO IN EFFECT TO SUCH MECHANISM FOR THIRD WORLD THROUGH CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS. QURAYSHI TOOK PAINS TO EMPHASIZE SAUDI VIEW THAT FATE OF SAUDI ARABIAN AND REST OF ARAB WORLD INEXTRICABLY LINKED TO FATE OF WESTERN WORLD; CONSEQUENTLY THEY HAVE NO DESIRE TO PROMOTE LATTER'S DOWNFALL. HE CITED IN PROOF SAUDI PRODUCTION OF FIVE MILLION BARRELS OF OIL PER DAY MORE

THAN WHAT THEY CONSIDER OPTIMAL RATE.

6. CONGRESSMAN REES TOLD QURAYSHI THERE WAS TENDENCY ALL OVER WORLD FOR RESTRICTIONS ON FOREIGN INVESTMENTS TO GROW. HE EXPRESSED OPINION ATTEMPTED TAKEOVER OF BANK IN SAN JOSE, CALIFORNIA, HAD BEEN APPROACHED THE WRONG WAY. HE THOUGHT THE SAUDIS OUGHT TO GET BETTER ADVICE ABOUT HOW TO OPERATE IN THE U.S. QURAYSHI RESPONDED THE TAKEOVER RAISED BY REES HAD BEEN DONE BY PRIVATE INDIVIDUAL WITHOUT ANY CONNECTION WITH SAG. HE NOTED THAT SAG DOES NOT PLAN TO MAKE ANY SIGNIFICANT INVESTMENT MOVES IN U.S. WITHOUT FIRST CONSULTING USG. HE CONTINUED THAT AS MATTER OF POLICY SAG ALSO DID NOT INTEND TO ACQUIRE MORE THAN FIVE PERCENT OF ANY GIVEN COMPANY'S EQUITY AND WAS IN NO WAY INTERESTED IN MILITARY, STRATEGIC OR OTHERWISE SENSITIVE SECTORS, NOR IN TAKEOVERS OR CONTROLLING SHARES OF U.S. CORPORATIONS.

7. REES ALSO RAISED BOYCOTT AND DISCRIMINATION, AND QURAYSHI GAVE HIM THE SAME EXPLANATION GIVEN EARLIER TO CONFIDENTIAL

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BIESTER. REES TOLD QURAYSHI HE DID NOT FEEL THERE WAS AT PRESENT TIME A "PUSH" TO RESTRICT ARAB INVESTMENTS IN U.S. AND THAT MOST OF TALK IN CONGRESS ABOUT THIS ISSUE WAS FOR "HOME CONSUMPTION." HE ASKED ABOUT SAUDI RESTRICTIONS ON INFLOW OF U.S. CAPITAL. QURAYSHI EXPLAINED SAUDI POLICIES THIS REGARD WELCOMED FOREIGN CAPITAL AND CITED NUMBER OF JOINT VENTURES RECENTLY CONCLUDED. WHEN REES SAID HE WAS INTERESTED IN SAUDI PLANNING, QURAYSHI INVITED HIM TO COME TO SAUDI ARABIA FOR WEEK AND SEE FOR HIMSELF HOW THINGS ARE DONE. REES PROMISED TO TRY TO FIND TIME FOR SUCH TRIP.

8. IN ADDITION TO MONETARY MATTERS, QURAYSHI DISCUSSIONS WITH BENNETT AND PARSKY FOCUSSED ON SAUDIZATION OF FOREIGN BANKS AND POSTING OF TREASURY ATTACHE IN JIDDA

(SEPTTEL TO FOLLOW). ON SAUDIZATION, QURAYSHI PRESENTED SAUDI POINT OF VIEW THAT SAUDI NATIONAL SHARE OF BANKING BUSINESS IN COUNTRY MUST IN SOME WAY BE EXPANDED. EXPLANATION OF MANY DISADVANTAGES SAUDI INTENTIONS COULD INCUR DID NOT HAVE NOTICEABLE EFFECT ON QURAYSHI. HE NOTED HE PLANNED TO DISCUSS MATTER IN DEPTH WITH WRISTON OF FNCB. (THIS DID NOT HAPPEN SINCE HE CUT TRIP SHORT.)

9. COMMENT. BRIEF AS IT WAS, QURAYSHI'S STAY HERE WAS USEFUL FROM USG STANDPOINT. HE GOT GOOD IMMERSION IN CURRENT CONGRESSIONAL AND ADMINISTRATION THINKING ABOUT NUMBER OF ISSUES AND THUS SHOULD BE ABLE TO CONVEY THOSE TO SAG. AMONG OTHER THINGS HE SHOULD ALSO REPORT OUR

STRONGLY EXPRESSED HOPE THAT DEATH OF FAISAL WILL NOT ALTER NEW COURSE WE HAVE SET FOR DEVELOPMENT OF CLOSER RELATIONSHIP BETWEEN OUR TWO COUNTRIES. WE ALSO FELT WAS TIMELY TO RAISE SAUDIZATION ISSUE AND ARE APPRECIATIVE OF EMBASSY'S SUGGESTION THAT BE DONE. QURAYSHI INDICATED HE INTENDS TO RETURN TO U.S. IN NOT TOO DISTANT FUTURE TO PICK UP WHERE HE LEFT OFF THIS TIME. WE WILL WELCOME OPPORTUNITY TO REINSTITUTE HIS PROGRAM WHEN HE IS READY TO COME. KISSINGER

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